

AR79



1981 Annual Report

The Year at a Glance

14th Annual Report

	1981	1980
Net General Insurance Premium Income	\$ 146,068,000	\$ 115,580,000
Net Life Insurance Premium Income	49,899,000	49,128,000
Total Net Premiums	195,967,000	164,708,000
Total Revenues	242,631,000	204,357,000
Statutory Operating Earnings (Loss)	(4,277,000)	7,401,000
Statutory Earnings (Loss) Including Investment Gains	(1,860,000)	11,300,000
Total Assets	585,110,000	536,660,000
Capital, Surplus & General Reserve	92,162,000	97,422,000
Individual Life Insurance in Force	2,008,797,000	1,861,895,000
Group Life Insurance in Force	1,890,081,000	1,600,416,000
Total Life Insurance in Force	3,898,878,000	3,462,311,000
Statutory Operating Earnings per Share	(1.11)	1.93
Statutory Earnings per Share Including Capital Gains	(.48)	2.94

Note: Per share earnings figures assume full conversion of the Company's convertible preferred stock. Volume figures for Insurance in Force are expressed net of reinsurance ceded.

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held at 12:00 noon Toronto time on Friday, April 23, 1982 at the Company's head office, 165 University Avenue, Toronto. All shareholders are invited to attend.

Remarks of the President

Mr. Henry N.R. Jackman

During 1981, E-L Financial Corporation experienced the worst year in its history. Net operating loss for the year totalled \$4,277,000 or \$1.11 per share compared with a profit of \$7,401,000 or \$1.93 per share for the year previous. If investment gains are included in the total, statutory loss for the year was 48¢ per share compared with a profit of \$2.94 for the year ended December 31, 1980.

General Insurance

The chief reason for the disappointing earnings was the unprecedented underwriting loss of \$24 million on our general insurance portfolio. In common with our competitors, The Dominion of Canada General Insurance Company simply did not have an adequate rate structure to meet the unparalleled increase in both the size and frequency of incurred claims. Remedial action has been taken and premium rates have been increased substantially. Whether the increases now in place are sufficient remains to be seen. The possibility of further price increases remains with us.

Investment income rose 26.6% to \$16.1 million. Although this increase was gratifying, it was far from sufficient to offset the underwriting losses. Our overall general insurance result before income tax recoveries and capital gains was a loss of \$7,936,000 compared with a profit of \$5,097,000 for the year previous.

Life Insurance

The volume of new business written rose to \$797 million, up 30% from the year previous and reflects the attainment of ambitious marketing quotas. Sales of new group products were particularly encouraging.

Cash surrenders and policy loans remain at an undesirably high level making it difficult for the company to invest policyholders' premiums at advantageous rates. The development of new products designed to meet the requirements of a changing market place makes the challenge an interesting one.

Investment Management

E-L Investment Management Limited, your company's wholly owned investment counselling subsidiary, made a satisfactory contribution to profit during 1981. The investment performance of our life insurance segregated funds once again achieved the best record in the Canadian life insurance industry.

Other Investments

E-L Financial Corporation maintains its substantial interest in the Victoria & Grey Trust Company, one of Canada's largest trust companies with assets over \$3.7 billion. Net income of Victoria & Grey for the latest fiscal year was substantially unchanged from the year previous, a remarkable accomplishment considering the difficulties facing the Trust industry in Canada.

Board of Directors

Effective July 1, 1981, both Empire Life and Dominion of Canada obtained new Presidents and Chief Executive Officers who will have the responsibility of guiding the destinies of our two principal subsidiaries.

Mr. Donald C. Elliott, C.L.U., was appointed President of The Empire Life Insurance Company and Mr. Donald A. Waugh was appointed President of The Dominion of Canada General Insurance Company. We wish both these men well in their new responsibilities.

During the year, Mr. Brian R. B. Magee retired from the Board on taking up residence in the United Kingdom. His contribution was a valued one. It is with pleasure that we welcome to the Board of Directors Mrs. Ruth Hutchison Macdonald.

In closing, I would like to thank all our agents and employees whose cooperation and loyal support is so essential to the continued success of our company. To each and everyone I extend our sincere appreciation.

Report on General Insurance Operations

Mr. Donald A. Waugh, A.I.I.C.

The year 1981 was one of considerable growth in premium income in comparison with recent years. Although there was a measure of growth in real terms the largest part of the increase was from premium rate increases long overdue. Net written premiums increased by 26.4% to \$146.1 million. The distribution of this premium volume continues favourably with 57.6% derived from the automobile class in contrast with five years ago when it represented 67.3%.

Claims incurred as a percentage of earned premiums increased to 88.0% from 76.4% the previous year. The lack of pricing discipline in the industry contributed to this development together with a higher claim frequency and claim severity.

The total underwriting result for 1981 was an unprecedented loss of \$24 million. This compares with an underwriting loss of \$7.7 million in 1980. Investment income in the year rose by 26.6% to \$16.1 million. However, this was not sufficient to overcome the adverse underwriting result and the consequence was an operating loss before tax adjustments of \$7.9 million for the year. This compares to a profit of \$5.1 million for 1980.

During 1981 there were several major changes and developments in our operations. Our on-line computer system, P.M.S., achieved full conversion in all aspects of our operations. All our branches and services are connected to

the network and resulting savings and increased productivity levels are proving the wisdom of this move. In addition an actuarial department was formed, managed by a fully qualified casualty actuary. This development provides us with greater strength in this important area. Continuing with our program of providing services as close as possible to our agency force and policyholders, a service office was established in Sault Ste. Marie to cover that part of northern Ontario. Plans for the continuation of this program are in place.

In considering the prospects for 1982 one is reminded of the paradox of the last few years of the previous decade when the general insurance industry worsened as it appeared to be improving. It is believed the worst has now been seen and improvement will emerge although modestly and slowly. Premium growth will continue, but the level is uncertain. Further premium rate increases are in place for this year with the probability of more later. This may cause loss of business as some rate competition continues. However, our effort will be to retain our portfolio of business while protecting the efficacy of our rate levels.

In my first year as President I wish to extend sincere thanks to our staff and agency force for their loyal support and assistance in a difficult year. Working together in the cooperative spirit that has been our hallmark, the future is brighter.

Report on Life Insurance Operations

Mr. Donald C. Elliott, C.L.U.

The financial results of the life insurance operations need little additional comment. Mortality and morbidity results were well within acceptable ranges, investment income continues strong and we recorded a very good sales year, particularly in respect to our Group products.

From an operations point of view, the emphasis was on products, productivity and planning.

The new series of individual insurance plans, introduced in late 1980, met with high acceptance by our clients and sales organization. This portfolio was further strengthened by the introduction of a non-smokers term product in late spring and a "new-money" whole life product in September. Both plans have been well received and contributed solidly to our 1981 individual insurance sales results.

In the fall of the year, plans were set in motion for the improvement of our group life and health products and an excellent group registered retirement savings plan was introduced at year-end. Considerable additional work on both group and individual products will continue in 1982.

We addressed the issue of achieving better productivity through some functional reorganization at year-end. The basic purpose is to eliminate unnecessary functions, avoid duplication of effort and resource, enhance our systems capacity to the end of making

efficiency gains in our home office and field operations. This process will be a continuing one and has engaged the enthusiastic interest of management at all levels.

As part of our year-end reorganization, an enhanced planning capacity was established. We believe that good results will ensue from having a clearer sense of direction.

There continues to be strong demand for our products and services and this "market mood", in combination with an able and growing sales organization, bodes well for the year ahead. Recent proposed tax action by the federal government could seriously impair this expectation and the well-being of our policyholders. However, conversations are continuing with the Department of Finance to the end of modifying their proposals to avoid financial damage to those thousands of average Canadians who rely so heavily on our products and services for their personal financial security.

It is our hope that reason will prevail as a result of this more thoughtful approach.

**Consolidated Balance Sheet as at December 31, 1981**

(thousands of dollars)

Assets	1981	1980
Cash	\$ 3,063	\$ 4,684
Short term investments	12,809	19,419
Bonds and debentures	199,707	182,620
Preferred stocks	40,172	30,266
Common stocks	110,857	104,291
First mortgages on real estate	115,476	106,942
Real estate (less depreciation)	6,855	7,302
Loans on policies	23,115	18,492
Premiums in the course of collection	23,140	16,909
Investment income due and accrued	8,002	6,770
Segregated investment funds	19,984	21,154
Deferred acquisition expenses	14,323	11,234
Other assets	4,609	3,962
Income taxes recoverable	2,998	2,615
	\$585,110	\$536,660

Auditors' Report

To the Shareholders of
E-L Financial Corporation Limited

We have examined the consolidated balance sheet of E-L Financial Corporation Limited as at December 31, 1981 and the consolidated statements of income and shareholders' equity in surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. The policy reserves and certain other liabilities to policyholders were determined and certified by the subsidiary companies' actuaries.

In our opinion, based on our examination and the certificates of the subsidiary companies' actuaries, these consolidated financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations for the year then ended in accordance with accounting principles as set out in note 1 applied on a basis consistent with that of the preceding year.

THORNE RIDDELL
Chartered Accountants
Toronto, Canada
February 12, 1982

Liabilities	1981	1980
Policy reserves	\$220,989	\$208,424
Unearned premiums	75,980	58,812
Provision for unpaid and unreported claims	100,980	87,020
Staff pension fund	16,874	14,674
Amounts left with company at interest	8,038	8,080
Bank advances and outstanding cheques	2,669	2,634
Income debenture	2,000	2,000
Premium and other taxes payable	4,416	1,260
Due to reinsurers and others	6,822	5,189
Amounts received, not yet allocated	1,445	966
Segregated investment funds (note 2)	19,984	21,154
Provision for profits to policyholders	2,066	1,892
Dividends payable	73	74
Minority interest	678	926
Participating policyholders' interest in surplus	11,630	9,548
	474,644	422,653

Special Reserves

Reserve for cash value deficiencies and amounts of negative reserves	13,481	13,019
Mandatory investment valuation reserve	4,179	3,129
Reserve for value of miscellaneous assets	644	437
	18,304	16,585

Shareholders' Equity

General reserve	17,250	16,300
Capital stock (note 4)	7,892	7,892
Shareholders' equity in surplus	67,020	73,230
	92,162	97,422
	\$585,110	\$536,660

Approved by the Board

Henry N.R. Jackman, Director

Peter S. Gooderham, Director



Consolidated Statement of Income for the Year Ended December 31, 1981
(thousands of dollars)

	1981	1980
Premium income	\$195,967	\$164,708
Investment and other income	46,664	39,649
	242,631	204,357
Deduct		
Claims incurred	124,487	93,756
Other benefits to policyholders	28,467	22,744
Increase in policy reserves and unearned premiums	29,165	25,764
Agents' commissions	26,936	23,780
Operating expenses	28,927	24,681
Premiums transferred to segregated fund	93	115
	238,075	190,840
Operating income before undernoted items	4,556	13,517
Income taxes (recovery)	885	(1,169)
Premium taxes	4,851	4,142
	5,736	2,973
	(1,180)	10,544
Policyholders' and minority shareholders' portion of income	3,097	3,143
Net operating income (loss)	(4,277)	7,401
Amortization of gains on investments, life insurance	1,271	2,021
Profit on sale of securities, general insurance (net of income taxes 1981 - \$973; 1980 - \$579)	1,146	1,878
Net Income (Loss)	\$ (1,860)	\$ 11,300
Earnings (Loss) per common share based on full conversion of preference shares		
Net operating income (loss)	\$(1.11)	\$1.93
Amortization of gains on investments, life insurance	.33	.52
Profit on sale of securities	.30	.49
Net income (loss)	\$(.48)	\$2.94



**Consolidated Statement of Shareholders' Equity in Surplus
for the year ended December 31, 1981 (thousands of dollars)**

	1981	1980
Balance at beginning of year	\$ 73,230	\$ 56,712
Net income (loss)	(1,860)	11,300
Increase in shareholders' equity on purchase of subsidiaries' shares	102	24
Income taxes, prior year		199
Transfers from other reserves (note 7)	172	7,115
	71,644	75,350
Income taxes, prior years	1,430	
Dividends	620	620
Transfers to other reserves (note 7)	2,574	1,500
	4,624	2,120
Balance at end of year	\$ 67,020	\$ 73,230

Notes to Consolidated Financial Statements for the Year ended December 31, 1981

1. Accounting Policies

Basis of presentation

The consolidated financial statements include the accounts of the following subsidiary companies:

E-L Investment Management Limited (wholly owned)

The Empire Life Insurance Company (Empire) (97.43% owned)

The Dominion of Canada General Insurance Company (Dominion) (99.80% owned) and its wholly owned subsidiary company, The Casualty Company of Canada

The financial statements are prepared in accordance with accounting practices prescribed, authorized or permitted by the regulations governing insurance companies for insurance company annual statements,

except for modifications principally as to classification and format for the purpose of clarifying the interest of the holding company.

Empire Life is registered under the Insurance Act of Ontario and that Act governs its financial reporting. In 1980 permission was obtained through the Superintendent of Insurance of Ontario to adopt the same method of accounting as prescribed under the Canadian and British Insurance Companies Act.

Empire and Dominion Life section

(i) Bonds, debentures and mortgages

Investments in bonds and debentures (debt securities) are carried at amortized cost adjusted by the unamortized balance of losses and gains on sales of such securities. For Empire the adjustment reflects realized gains or losses since

January 1, 1980. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield and is amortized over the period to maturity of the security sold.

(ii) Preferred and common stocks

Investments in stocks are carried at cost, adjusted to reflect amortization of the difference between carrying value and market value, and the deferred portion of realized gains or losses on disposals.

(iii) Real estate

Real estate is carried at cost less accumulated depreciation. Depreciation on the Dominion building is being provided at the rate of 15% for the years 1978 to 1982 inclusive. Empire depreciation on buildings is provided on the diminishing balance basis at 6% per annum.

(iv) Policy loans

Policy loans are carried at their unpaid balances and are fully secured by the cash surrender values of the policies on which the respective loans are made.

(v) Segregated investment funds

Segregated investment funds are carried at market value.

(vi) Deferred acquisition expenses

Commissions and other expenses applicable to acquisition of policies and contracts are deferred and amortized over the period to be benefitted or, in the case of life policies, over the premium paying period. For the life section, provision for such expenses is included in the policy reserves.

(vii) Policy reserves

Policy reserves represent the amount required, together with future premiums and investment income, to provide for future payments under insurance and annuity contracts. The liabilities under policy contracts are determined using assumptions appropriate to the circumstances of the companies and the policies in force. The calculations assume that the cost of acquiring new business is deferred and amortized over the premium paying period of the policies. The amount of unamortized deferred acquisition cost deducted in arriving at the policy reserves was \$20,175,000 at December 31, 1980 (1980 — \$19,311,341).

(viii) Income taxes

Income taxes are calculated using the taxes payable method.

Dominion general insurance section

(i) Bonds, debentures and mortgages

Bonds, debentures and mortgages are carried at cost.

(ii) Preferred and common stocks

Preferred and common stocks are carried at cost.

2. Segregated Investment Funds

	1981	1980
Amount pertaining to staff pension fund	\$ 1,082,000	\$ 1,147,000
Policyholders' portion	17,840,000	18,983,000
Amount pertaining to shareholders' surplus including minority shareholders' portion		
\$15,232 (1980 - \$18,061)	1,062,000	1,024,000
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	\$19,984,000	\$21,154,000

3. Special Reserves

A reserve for cash value deficiencies and amounts of negative reserves is required when the actuarial liability is less than zero, or less than the cash surrender value of the policy.

4. Capital Stock

	1981	1980
Authorized		
4,999,925 Preference shares, without par value, issuable in series		
10,000,000 Common shares, without par value		
Issued		
585,043 Series A convertible preference shares (1980 - 590,456)	\$ 7,892,000	\$ 7,892,000
3,255,469 Common shares (1980 - 3,250,056)		

The Series A convertible preference shares are convertible in perpetuity into common shares on a share for share basis and are entitled, when and if declared, to a non-cumulative dividend of 50¢ per share per annum. In 1981, 5,413 Series A convertible preference shares were converted into common shares.

5. Shareholders' Account

Under Empire Life's charter, shareholders are entitled to all profits from non-participating policies and that portion of profit on the participating policies equal to one-ninth of the amounts paid to policyholders as

dividends. Since 1966 an amount equal to one-ninth of the amount paid and provided for policy dividends on participating policies has been transferred from the participating policyholders' account to the shareholders' account. A lesser amount was transferred in earlier years.

6. Income Taxes

Dominion

At December 31, 1981 Dominion had an amount of \$11,656,000 which will be available to be applied against taxable income of future years. This amount can be carried forward indefinitely.

In addition the company has been re-assessed for income taxes for the years 1969 through 1972 in the amount of \$510,000. Formal notices of objection to the re-assessments were filed in which the company raised additional matters with regard to those years on the application of income tax law. The Minister of National Revenue has confirmed the re-assessments, and the company has instituted an appeal to the Federal Court, Trial Division. Management is of the opinion that the company has an arguable case with a reasonable chance of success, and accordingly no provision has been made for this amount in these financial statements. If the company succeeds in its appeal, the effect of these additional matters will more than offset the amount of the re-assessments received and any income tax liability for the 1977 year.

If the company's appeal is not successful, the income tax liability for the years 1969 through 1977, not provided for in these financial statements, would aggregate approximately \$1,500,000.

Empire

In 1981 Empire reached tentative agreement with Revenue Canada, Taxation regarding maximum tax reserves for the taxation years 1978 and 1979, resulting in increased income taxes in these years. These increased income taxes have been charged to surplus.

7. Shareholders' Equity in Surplus

The appropriations from and transfers to surplus were as follows:

	1981	1980
Transfer to mandatory investment valuation reserve	\$ 500,000	
Transfer to general reserve	1,500,000	\$ 1,500,000
Transfer from policy reserves		(5,776,000)
Transfer to (from) reserve for value of miscellaneous assets	47,000	(163,000)
Transfer to (from) reserve for cash value deficiencies and amounts of negative reserves	355,000	(11,000)
Transfer from policy reserves due to actuarial base change		(1,165,000)
	<u>\$2,402,000</u>	<u>\$(5,615,000)</u>

8. Depreciation

Depreciation for the year amounted to \$965,583 (1980 -\$965,007).

9. Consolidated Statement of Changes in Financial Position

Due to the nature of the companies' operations a consolidated statement of changes in financial position would not be considered meaningful and has, therefore, not been included.

10. Comparative Figures

Certain 1980 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1981.

Summary of Consolidated Results

(all figures expressed in thousands of dollars)

	1981	1980	1979	1978	1977
Premium income	\$ 195,967	\$ 164,708	\$ 147,331	\$ 150,607	\$ 134,419
Investment and other income	46,664	39,649	34,083	29,388	24,027
Total revenues	242,631	204,357	181,414	179,995	158,446
Claims and other benefits to policyholders	152,954	116,500	102,705	93,695	78,630
Increase in policyholders' reserves	29,258	25,879	13,518	25,611	23,357
Expenses (including agents' commissions)	55,863	48,461	45,636	44,669	41,042
Taxes paid to governments	5,736	2,973	7,872	7,460	4,788
Profits paid or allocated to policyholders	3,097	3,143	1,724	2,189	933
Net operating profit (loss)	(4,277)	7,401	9,959	6,371	9,696
Net investment gains and other extraordinary items	2,417	3,899	3,125	881	274
Total net profit (loss)	\$ (1,860)	\$ 11,300	\$ 13,084	\$ 7,252	\$ 9,970
Net income (loss) per share (net operating income (loss))	(1.11)	1.93	2.59	1.91	2.91
Net income (loss) per share (including capital gains and extraordinary items)	(.48)	2.94	3.41	2.18	2.99
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Assets					
Cash and short term investments	\$ 15,872	\$ 24,103	\$ 14,532	\$ 26,194	\$ 14,100
Bonds and debentures	199,707	182,620	179,829	155,723	127,709
Preferred and common stocks	151,029	134,557	117,563	104,433	88,255
First mortgages on real estate	115,476	106,942	103,507	99,550	95,088
Real estate	6,855	7,302	8,391	7,290	5,923
Loans on policies	23,115	18,492	15,578	14,160	13,683
Segregated equity funds	19,984	21,154	15,223	13,314	11,448
Other assets	53,072	41,490	32,583	29,942	20,222
Total assets	\$ 585,110	\$ 536,660	\$ 487,206	\$ 450,606	\$ 376,428
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Liabilities					
Policy and unearned premium reserves*	\$ 333,827	\$ 303,064	\$ 292,974	\$ 278,046	\$ 241,584
Reserve for claims	100,980	87,020	82,414	76,586	61,839
Other liabilities	26,141	21,129	22,535	20,023	16,817
Policyholders' equity in surplus	13,696	11,440	2,509	1,628	1,141
Special Reserves	18,304	16,585	5,170	4,000	—
Total liabilities	\$ 492,948	\$ 439,238	\$ 405,602	\$ 380,283	\$ 321,381
Capital, surplus and general reserve	92,162	97,422	81,604	70,323	55,047
	\$ 585,110	\$ 536,660	\$ 487,206	\$ 450,606	\$ 376,428

*including staff pension and segregated funds.

1976	1975	1974	1973	1972	1971	1970	1969
\$ 111,484	\$ 88,314	\$ 76,487	\$ 67,732	\$ 57,570	\$ 52,409	\$ 48,024	\$ 41,256
20,076	17,479	15,630	13,489	11,834	10,599	9,613	8,710
131,560	105,793	92,117	81,221	69,404	63,008	57,637	49,966
67,228	55,568	54,450	39,554	31,557	28,772	25,684	24,018
20,261	16,140	13,435	15,160	12,641	12,664	11,981	7,633
34,558	27,420	23,449	20,895	17,663	15,930	14,769	13,630
3,690	3,257	1,839	2,566	2,902	2,585	1,814	1,574
248	701	(380)	135	761	862	1,176	1,484
5,575	2,707	(676)	2,911	3,880	2,195	2,213	1,627
379	283	2,794	1,367	472	309	393	405
\$ 5,954	\$ 2,990	\$ 2,118	\$ 4,278	\$ 4,352	\$ 2,504	\$ 2,606	\$ 2,032
1.68	.81	(.20)	.86	1.16	.66	.66	.49
1.79	.89	.63	1.28	1.31	.75	.78	.61
\$ 5,950	\$ 5,702	\$ 5,440	\$ 4,020	\$ 3,767	\$ 3,683	\$ 4,926	\$ 3,619
102,050	85,719	69,216	64,845	58,290	52,215	45,388	43,417
76,314	61,296	58,174	52,730	47,584	39,967	34,826	28,958
91,653	86,564	87,070	78,657	71,544	69,352	67,137	62,909
5,860	5,916	5,953	5,575	5,623	5,723	5,759	5,808
13,024	12,120	11,412	9,622	9,151	9,053	9,104	7,873
10,001	9,844	7,560	8,701	7,044	4,744	3,332	2,576
18,279	14,839	12,907	10,776	9,316	8,126	7,731	6,627
\$ 323,131	\$ 282,000	\$ 257,732	\$ 234,926	\$ 212,319	\$ 192,863	\$ 178,203	\$ 161,787
\$ 215,492	\$ 193,274	\$ 175,185	\$ 166,022	\$ 150,927	\$ 137,333	\$ 125,370	\$ 113,428
46,768	36,417	30,407	23,209	19,877	18,407	17,008	16,844
14,124	10,034	11,859	7,815	6,974	6,215	6,845	6,134
1,514	2,534	3,126	3,173	3,717	3,901	4,324	3,934
—	—	—	—	—	—	—	—
\$ 277,898	\$ 242,259	\$ 220,577	\$ 200,219	\$ 181,495	\$ 165,856	\$ 153,547	\$ 140,340
45,233	39,741	37,155	34,707	30,824	27,007	24,656	21,447
\$ 323,131	\$ 282,000	\$ 257,732	\$ 234,926	\$ 212,319	\$ 192,863	\$ 178,203	\$ 161,787

Summary of General Insurance Operations

(all figures expressed in thousands of dollars)

	1981	1980	1979	1978	1977
Net premiums written					
Automobile	\$ 84,182	\$ 64,336	\$ 60,446	\$ 58,723	\$ 59,048
Casualty	35,420	26,593	22,776	20,729	17,352
Property	26,466	24,651	23,093	22,447	19,369
Total net premiums written	\$ 146,068	\$ 115,580	\$ 106,315	\$ 101,899	\$ 95,769
Net premiums earned					
Claims incurred	\$ 128,900	\$ 108,732	\$ 104,244	\$ 100,226	\$ 88,247
	113,415	83,062	74,867	69,886	59,387
Operating expenditures including commissions and premium taxes	39,521	33,327	31,355	31,561	28,079
Underwriting profit (loss)	(24,036)	\$ (7,657)	\$ (1,978)	\$ (1,221)	\$ 781
Investment income	16,100	12,754	11,206	9,090	7,034
Net profit (loss) before taxes	\$ (7,936)	\$ 5,097	\$ 9,228	\$ 7,869	\$ 7,815
Income taxes (recoverable)	(2,439)	(1,351)	2,205	3,186	66
Net operating profit (loss)	\$ (5,497)	\$ 6,448	\$ 7,023	\$ 4,683	\$ 7,749
Claims ratio (to net premiums earned)	88.0%	76.4%	71.8%	69.7%	67.3%
Expense ratio (to net premiums written)	27.1%	28.8%	29.5%	31.0%	29.3%
	115.1%	105.2%	101.3%	100.7%	96.6%
Assets					
Cash and short term investments	\$ 12,500	\$ 13,432	\$ 8,006	\$ 10,104	\$ 12,150
Bonds and debentures	84,137	79,427	84,807	78,198	60,980
Preferred and common stocks	82,153	69,393	58,812	52,978	45,695
First mortgages	1,595	1,143	1,113	866	874
Real estate, furniture and equipment	3,758	3,960	3,798	4,216	2,361
Amounts receivable	28,795	21,575	16,301	15,739	15,406
Deferred acquisition expenses	14,323	11,234	9,664	9,237	—
	\$ 227,261	\$ 200,164	\$ 182,501	\$ 171,338	\$ 137,466
Liabilities					
Unearned premium reserve	\$ 75,980	\$ 58,812	\$ 51,972	\$ 49,901	\$ 39,584
Reserve for claims	95,082	81,108	78,939	72,957	58,623
Other liabilities	5,731	4,669	3,592	8,328	4,082
	\$ 176,793	\$ 144,589	\$ 134,503	\$ 131,186	\$ 102,289
Capital, surplus and appropriated reserves	50,468	55,575	47,998	40,152	35,177
	\$ 227,261	\$ 200,164	\$ 182,501	\$ 171,338	\$ 137,466

1976	1975	1974	1973	1972	1971	1970	1969
\$ 52,504	\$ 41,588	\$ 32,540	\$ 28,098	\$ 24,838	\$ 21,620	\$ 18,351	\$ 15,619
12,517	8,357	7,230	5,770	5,199	4,419	3,699	3,248
12,969	8,375	7,421	6,225	5,652	5,025	4,171	3,803
\$ 77,990	\$ 58,320	\$ 47,191	\$ 40,093	\$ 35,689	\$ 31,064	\$ 26,221	\$ 22,670
\$ 71,312	\$ 53,338	\$ 45,282	38,593	\$ 33,554	\$ 29,428	\$ 24,814	\$ 21,912
48,598	39,604	37,918	26,402	21,016	18,461	15,579	13,914
22,975	17,025	14,388	12,324	11,079	9,748	8,680	7,779
\$ (261)	\$ (3,291)	\$ (7,024)	\$ (133)	\$ 1,459	\$ 1,219	\$ 555	\$ 219
5,050	3,880	3,420	2,706	2,329	1,992	1,905	1,623
\$ 4,789	\$ 589	\$ (3,604)	\$ 2,573	\$ 3,788	\$ 3,211	\$ 2,460	\$ 1,842
—	—	(693)	390	1,017	906	654	456
\$ 4,789	\$ 589	\$ (2,911)	\$ 2,183	\$ 2,771	\$ 2,305	\$ 1,806	\$ 1,386
68.2%	74.3%	83.7%	68.4%	62.6%	62.7%	62.8%	63.5%
29.5%	29.2%	30.5%	30.7%	31.0%	31.4%	33.1%	34.3%
97.7%	103.5%	114.2%	99.1%	93.6%	94.1%	95.9%	97.8%
\$ 5,500	\$ 3,477	\$ 4,870	\$ 2,886	\$ 3,447	\$ 3,029	\$ 3,251	\$ 3,524
44,231	33,505	24,443	20,935	16,924	15,046	13,606	12,199
38,613	31,961	30,738	27,541	25,039	21,764	19,079	16,264
853	817	894	919	990	936	1,012	1,043
2,394	2,427	2,460	2,493	2,439	2,471	2,504	2,537
13,909	10,981	9,593	8,048	6,989	6,119	5,622	4,547
—	—	—	—	—	—	—	—
<u>\$ 105,500</u>	<u>\$ 83,168</u>	<u>\$ 72,998</u>	<u>\$ 62,822</u>	<u>\$ 55,828</u>	<u>\$ 49,365</u>	<u>\$ 45,074</u>	<u>\$ 40,114</u>
\$ 31,471	\$ 24,792	\$ 19,810	\$ 17,901	\$ 16,401	\$ 14,267	\$ 12,632	\$ 11,224
43,229	33,350	28,025	20,552	17,681	16,014	14,645	14,785
2,707	2,053	2,545	1,100	1,499	1,416	2,355	1,114
\$ 77,407	\$ 60,195	\$ 50,380	\$ 39,553	\$ 35,581	\$ 31,697	\$ 29,632	\$ 27,123
28,093	22,973	22,618	23,269	20,247	17,668	15,442	12,991
<u>\$ 105,500</u>	<u>\$ 83,168</u>	<u>\$ 72,998</u>	<u>\$ 62,822</u>	<u>\$ 55,828</u>	<u>\$ 49,365</u>	<u>\$ 45,074</u>	<u>\$ 40,114</u>

Summary of Life Insurance Operations

(all figures expressed in thousands of dollars)

	1981	1980	1979	1978	1977
Net premium income	\$ 49,899	\$ 49,128	\$ 41,015	\$ 48,707	\$ 38,650
Investment and other income	28,920	25,407	21,755	19,864	16,662
	\$ 78,819	\$ 74,535	\$ 62,770	\$ 68,571	\$ 55,312
Benefits to policyholders	\$ 39,539	\$ 33,439	\$ 27,838	\$ 23,809	\$ 19,243
Increase in policy reserves	11,997	18,916	13,096	24,817	15,973
Expenses and commissions	19,352	17,585	17,124	15,726	15,700
Taxes	4,060	885	2,086	1,271	1,714
Premiums to segregated funds	93	115	(1,649)	(879)	(138)
Profits allocated to policyholders	3,068	3,091	1,630	2,125	855
Net Operating Profit (before investment gains)	\$ 710	\$ 504	\$ 2,645	\$ 1,702	\$ 1,965
Assets					
Cash and short term investments	\$ 640	\$ 8,350	\$ 2,436	\$ 10,112	\$ 1,194
Bonds and debentures	115,570	103,193	95,020	77,525	66,728
Preferred and common stocks	56,860	53,602	47,477	44,732	39,219
First mortgages	113,881	105,799	102,393	98,684	94,214
Real estate	4,932	5,156	4,594	3,074	3,561
Loans on policies	23,115	18,492	15,581	14,160	13,683
Segregated equity funds	19,984	21,154	15,223	13,314	11,448
Other assets	8,063	6,765	6,936	4,919	4,744
	\$ 343,045	\$ 322,511	\$ 289,660	\$ 266,520	\$ 234,791
Liabilities					
Policy reserves	\$ 220,989	\$ 208,424	\$ 212,690	\$ 199,487	\$ 180,467
Amounts on deposit	8,038	8,080	7,668	7,202	6,639
Reserve for claims	5,898	5,912	3,475	3,630	3,216
Staff pension fund	16,874	14,674	13,090	11,345	10,085
Segregated equity funds	19,984	21,154	15,224	13,314	11,448
Other liabilities	7,139	2,792	3,652	2,658	2,343
Policyholders' equity in surplus	13,696	11,440	2,508	1,628	1,141
	\$ 292,618	\$ 272,476	\$ 258,307	\$ 239,264	\$ 215,339
Special reserves	18,227	17,270	4,430	4,430	—
Shareholders' Equity	32,200	32,765	26,923	22,826	19,452
	\$343,045	\$ 322,511	\$ 289,660	\$ 266,520	\$ 234,791
Net interest earned		9.88%	9.93%	8.51%	8.39%
					7.89%
Insurance in force					
Individual lives					
Insurance	\$1,821,509	\$1,685,677	\$1,584,387	\$1,540,321	\$1,431,512
Annuities	168,465	158,099	102,730	100,438	89,396
Health insurance	2,300	2,861	2,980	3,134	3,475
"Equity" insurance and annuities	16,523	15,258	14,175	16,089	17,820
	\$2,008,797	\$1,861,895	\$1,704,272	\$1,659,982	\$1,542,203
Group Life					
Insurance	\$1,465,906	\$1,329,079	\$1,144,689	\$1,013,552	967,745
Annuities	103,129	123,574	129,560	138,497	147,696
Health insurance	321,046	147,763	114,294	102,939	186,891
	\$1,890,081	\$1,600,416	\$1,388,543	\$1,254,988	\$1,302,332
Total insurance in force	\$3,898,878	\$3,462,311	\$3,092,815	\$2,914,970	\$2,844,535

NOTE: — Volume figures for Life insurance in force are expressed net of reinsurance ceded.

1976	1975	1974	1973	1972	1971	1970	1969
\$ 33,493	\$ 29,994	\$ 29,294	\$ 27,639	\$ 21,881	\$ 21,322	21,803	\$ 18,586
14,793	13,369	11,971	10,576	9,365	8,499	7,638	7,049
\$ 48,286	\$ 43,363	\$ 41,265	\$ 38,215	\$ 31,246	\$ 29,821	\$ 29,441	\$ 25,635
\$ 18,630	\$ 15,964	\$ 16,530	\$ 13,152	\$ 10,541	\$ 10,310	\$ 10,105	\$ 10,104
13,275	9,940	9,711	11,449	9,279	10,008	9,555	5,461
14,044	11,745	10,128	9,414	7,351	6,827	6,589	6,344
777	1,750	1,305	1,171	1,002	927	531	564
165	1,218	1,815	2,211	1,228	1,006	1,019	1,414
192	642	(438)	80	733	837	1,143	1,458
\$ 1,203	\$ 2,104	\$ 2,214	\$ 738	\$ 1,112	\$ (94)	\$ 499	\$ 290
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\$ (586)	\$ 1,652	\$ (2,697)	\$ 159	\$ (232)	\$ 300	\$ 1,483	\$ 87
57,819	52,215	44,774	43,910	41,366	37,169	31,782	31,218
34,399	28,884	27,149	25,130	22,526	18,203	15,747	12,693
90,800	85,746	86,176	77,738	70,554	68,415	66,125	61,866
3,465	3,489	3,494	3,082	3,184	3,252	3,254	3,270
13,024	12,120	11,411	9,622	9,151	9,053	9,104	7,873
10,001	9,844	7,560	8,702	7,044	4,744	3,332	2,576
4,337	3,794	3,277	2,720	2,327	1,996	2,083	1,967
\$ 213,259	\$ 197,744	\$ 181,144	\$ 171,063	\$ 155,920	\$ 143,132	\$ 132,910	\$ 121,550
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\$ 164,690	\$ 151,415	\$ 141,476	\$ 133,780	\$ 122,362	\$ 113,373	\$ 104,763	\$ 95,279
5,719	5,044	4,513	4,255	3,595	3,042	2,679	3,094
3,539	3,068	2,382	2,657	2,196	2,393	2,363	2,059
8,739	7,222	6,339	5,638	5,120	4,949	4,644	4,349
10,001	9,844	7,560	8,702	7,044	4,744	3,331	2,576
1,741	2,218	1,439	1,572	1,452	1,365	1,371	1,538
1,514	2,534	3,126	3,173	4,150	4,302	4,754	4,330
\$ 195,943	\$ 181,345	\$ 166,835	\$ 159,777	\$ 145,919	\$ 134,168	\$ 123,905	\$ 113,225
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17,316	16,399	14,309	11,286	10,001	8,964	9,005	8,325
\$ 213,259	\$ 197,744	\$ 181,144	\$ 171,063	\$ 155,920	\$ 143,132	\$ 132,910	\$ 121,550
7.65%	7.41%	7.17%	6.89%	6.75%	6.58%	6.36%	6.35%
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\$1,269,599	\$1,092,270	\$ 970,269	\$ 895,362	\$ 830,682	\$ 780,091	\$ 749,105	\$ 719,492
79,884	73,754	69,701	63,632	40,735	25,965	19,950	13,998
4,773	3,748	3,563	3,520	3,718	4,104	4,087	4,375
20,813	26,835	30,362	32,145	26,406	25,471	22,520	19,361
\$1,375,069	\$1,196,607	\$1,073,895	\$ 994,659	\$ 901,541	\$ 835,631	\$ 795,662	\$ 757,226
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\$ 861,152	\$ 710,202	\$ 602,213	\$ 426,174	\$ 343,653	\$ 312,924	\$ 295,217	\$ 264,476
164,720	151,423	166,226	130,497	79,069	60,211	54,782	46,349
150,910	135,762	119,934	86,234	72,738	96,741	92,495	87,484
\$1,176,782	\$ 997,387	\$ 888,373	\$ 642,905	\$ 495,460	\$ 469,876	\$ 442,494	\$ 398,309
\$2,551,851	\$2,193,994	\$1,962,268	\$1,637,564	\$1,397,001	\$1,305,507	\$1,238,156	\$1,155,535
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